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Financial Statements

Clinton Memorial Hospital  
Foundation, Inc.

*Years ended December 31, 1999 and 1998 with  
Report of Independent Auditors*

Clinton Memorial Hospital Foundation, Inc.

Financial Statements

Years ended December 31, 1999 and 1998

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Clinton Memorial Hospital Foundation, Inc.

We have reviewed the Independent Auditor's Report of the Clinton Memorial Hospital Foundation, Inc., Clinton County, prepared by Ernst & Young LLP for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clinton Memorial Hospital Foundation, Inc. is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

June 29, 2000

## Report of Independent Auditors

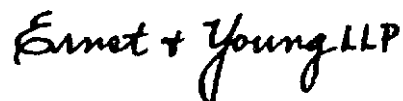
Board of Trustees  
Clinton Memorial Hospital Foundation, Inc.

We have audited the accompanying statements of financial position of Clinton Memorial Hospital Foundation, Inc. (the Foundation), as of December 31, 1999 and 1998, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinton Memorial Hospital Foundation, Inc. at December 31, 1999 and 1998, and the related statements of activities and changes in net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with the Government Auditing Standards, we have issued a report dated April 27, 2000 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



April 27, 2000

Clinton Memorial Hospital Foundation, Inc.

Statements of Financial Position

	<b>December 31</b>	
	<b>1999</b>	<b>1998</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,071,122	\$ 864,831
Pledges and accounts receivable	12,768	3,006
Inventory	48,886	54,127
Charitable remainder trust receivable	2,697,740	2,371,367
Note and interest receivable	291,308	247,428
Allowance for note and interest receivable	(291,308)	(247,428)
Property and equipment, net	81,763	106,924
Total assets	<u>\$ 3,912,279</u>	<u>\$ 3,400,255</u>
<b>Liabilities and net assets</b>		
Accounts payable	\$ 11,316	\$ 16,583
Split-interest agreement obligations	435,900	341,932
Donor annuity obligations	862,502	933,923
Total liabilities	<u>1,309,718</u>	<u>1,292,438</u>
Net assets:		
Unrestricted	218,898	204,357
Temporarily restricted	591,103	450,774
Permanently restricted	1,792,560	1,452,686
Total net assets	<u>2,602,561</u>	<u>2,107,817</u>
Total liabilities and net assets	<u>\$ 3,912,279</u>	<u>\$ 3,400,255</u>

*See accompanying notes.*

Clinton Memorial Hospital Foundation, Inc.

Statements of Activities and Changes in Net Assets

Year ended December 31, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Interest income	\$ 15,744	\$ 24,198	\$ 16,015	\$ 55,957
Contributions	32,198	317,308	84,267	433,773
Special events, net of direct costs of \$19,272	2,410	33,860	-	36,270
Auxiliary revenue	92,318	-	-	92,318
	<u>142,670</u>	<u>375,366</u>	<u>100,282</u>	<u>618,318</u>
Net assets released from restrictions	218,825	(218,825)	-	-
Total revenues and other support	<u>361,495</u>	<u>156,541</u>	<u>100,282</u>	<u>618,318</u>
Expenses:				
Grants and awards	35,086	-	-	35,086
Distribution to affiliate	209,076	-	-	209,076
Auxiliary expenses	82,682	-	-	82,682
Bad debt expense	43,880	-	-	43,880
Depreciation	312	-	-	312
Administrative expenses	3,330	-	-	3,330
Total expenses	<u>374,366</u>	<u>-</u>	<u>-</u>	<u>374,366</u>
Excess (deficiency) of revenues and other support over expenses	(12,871)	156,541	100,282	243,952
Other changes in net assets:				
Change in valuation of charitable remainder trust	-	-	250,792	250,792
Transfers	27,412	(16,212)	(11,200)	-
Increase in net assets	<u>14,541</u>	<u>140,329</u>	<u>339,874</u>	<u>494,744</u>
Net assets at beginning of year	204,357	450,774	1,452,686	2,107,817
Net assets at end of year	<u>\$ 218,898</u>	<u>\$ 591,103</u>	<u>\$ 1,792,560</u>	<u>\$ 2,602,561</u>

See accompanying notes.

Clinton Memorial Hospital Foundation, Inc.

Statements of Activities and Changes in Net Assets

Year ended December 31, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Interest income	\$ 13,096	\$ 26,150	\$ 14,573	\$ 53,819
Contributions	20,068	235,453	52,899	308,420
Special events, net of direct costs of \$16,490	-	15,712	-	15,712
Auxiliary revenue	95,205	-	-	95,205
	128,369	277,315	67,472	473,156
Net assets released from restrictions	405,036	(405,036)	-	-
Total revenues and other support	533,405	(127,721)	67,472	473,156
Expenses:				
Grants and awards	55,018	-	-	55,018
Distribution to affiliate	352,055	-	-	352,055
Auxiliary expenses	64,924	-	-	64,924
Bad debt expense	55,936	-	-	55,936
Depreciation	139	-	-	139
Administrative expenses	18,309	-	-	18,309
Total expenses	546,381	-	-	546,381
Excess (deficiency) of revenues and other support over expenses	(12,976)	(127,721)	67,472	(73,225)
Other changes in net assets:				
Change in valuation of charitable remainder trust	-	-	196,257	196,257
Transfers	(11,625)	20,688	(9,063)	-
(Decrease) increase in net assets	(24,601)	(107,033)	254,666	123,032
Net assets at beginning of year	228,958	557,807	1,198,020	1,984,785
Net assets at end of year	\$ 204,357	\$ 450,774	\$ 1,452,686	\$ 2,107,817

See accompanying notes.

Clinton Memorial Hospital Foundation, Inc.

Statements of Cash Flows

	December 31	
	1999	1998
<b>Operating activities</b>		
Increase in net assets	\$ 494,744	\$ 123,032
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	312	139
Bad debt expense	43,880	55,936
Land donation	26,945	-
Change in valuation of charitable trust	(250,792)	(196,257)
Net change in operating assets and liabilities:		
Pledges and accounts receivable	(9,762)	32,816
Inventory	5,241	(8,449)
Accounts payable	(5,267)	7,022
Note and interest receivable	(43,880)	(55,936)
Charitable remainder trust receivable	(53,034)	-
Net cash provided by (used in) operating activities	<u>208,387</u>	<u>(41,697)</u>
<b>Investing Activities:</b>		
Equipment purchases	(2,096)	-
Net cash used in investing activities	<u>(2,096)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	206,291	(41,697)
Cash and cash equivalents at beginning of year	864,831	906,528
Cash and cash equivalents at end of year	<u>\$ 1,071,122</u>	<u>\$ 864,831</u>

*See accompanying notes.*



# Clinton Memorial Hospital Foundation, Inc.

## Notes to Financial Statements

December 31, 1999 and 1998

### **1. Summary of Significant Accounting Policies**

#### **Organization and Mission**

Clinton Memorial Hospital Foundation, Inc. (the Foundation) is a not-for-profit Ohio corporation organized for the charitable purpose of raising funds in support of Clinton Memorial Hospital's (the Hospital) quality healthcare and educational programs.

The mission of the Foundation is to communicate the vision of the Hospital's quality healthcare and educational programs to the community and friends who are willing to invest through dedicated charitable giving to support these programs and services. The Foundation is exempt from federal income tax as defined under section 501(c)(3) of the Internal Revenue Code.

#### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting wherein revenues and expenses are recognized in the period earned or incurred.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

#### **Cash and Cash Equivalents**

For purposes of this statement, cash on deposit and other cash equivalents with a maturity of 90 days or less are included in the category of cash and equivalents. The carrying value of these assets approximates market value.

#### **Inventory**

Inventory consists of goods available for sale in the Hospital gift shop, and is stated at cost.

Clinton Memorial Hospital Foundation, Inc.

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**Property and Equipment**

Property and equipment are stated at cost or fair market value at date of donation. Depreciation is calculated on the straight-line basis over estimated service lives for individual assets.

**Net Assets**

Unrestricted net assets are those which have no external restrictions. Temporarily restricted net assets are those for which use is limited by donors to a specific time period or purpose. Permanently restricted net assets are those which have been permanently restricted by donors to be maintained by the Foundation, the income from which is expendable to support the Foundation's purpose and make payments to annuitants.

**Revenues and Other Support**

Contributions are recognized during the period in which they are received. Contributions are considered to be available for unrestricted use unless specifically restricted by donor.

**Grants and Awards**

Grants and awards expense includes approved grants which will be distributed or have been distributed during the current fiscal year.

**Reclassification**

Certain amounts in the 1998 financial statements have been reclassified in order to be comparable to 1999 amounts.

Clinton Memorial Hospital Foundation, Inc.

Notes to Financial Statements (continued)

**2. Deferred Charitable Remainder Annuity Trusts**

Charitable remainder trusts are trust agreements established by donors whereby the Foundation is a beneficiary. The Foundation has several of these trusts. Under these agreements, the Foundation pays the donor an annuity for a specified number of years. Under the terms of these trust agreements, these trusts are irrevocable and the assets are permanently restricted. Upon termination of these trust agreements, the trust funds will be distributed to the Hospital for an endowed fund with the earned income to be used for unrestricted purposes.

At the time of the gift, the assets are recorded at fair market value and an obligation is established for the present value of the annuity payments. The difference between the gift and the obligation is recognized as permanently restricted contributions. Changes in market value of the trust are recorded as an adjustment to permanently restricted net assets. As of December 31, 1999 and 1998, the Foundation has donor annuity obligations of approximately \$862,502 and \$933,923, respectively, of which \$248,419 and \$156,646 is payable in 2000 and 1999, respectively. Discount rates ranging from 3.5% to 5% were utilized to calculate the present value of the donor annuity obligations as of December 31, 1999 and 1998.

Certain of the agreements are split-interest agreements. Split-interest agreements are trust agreements established by donors under which the Foundation receives benefits that are shared with other beneficiaries. As of December 31, 1999 and 1998, the amount due to other beneficiaries under these agreements was \$435,900 and \$341,932, respectively.

Additionally, certain other trust agreements established by donors permit the donor to change the beneficiary. The Foundation's portion of these trusts were approximately \$879,000 and \$735,000 at December 31, 1999 and 1998, respectively, are not recorded in the financial statements until donor imposed conditions expire and the donation becomes unconditional.

**3. Related Party Transactions**

During 1999 and 1998, the Foundation transferred \$209,076 and \$352,055, respectively, to the Hospital. This amount was recorded as expense.

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements in Accordance With *Government Auditing Standards***

Board Of Trustees  
Clinton Memorial Hospital Foundation, Inc.  
and  
Jim Petro, Auditor of State:

We have audited the financial statements of Clinton Memorial Hospital Foundation, Inc. (the Foundation) as of and for the year ended December 31, 1999, and have issued our report thereon dated April 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

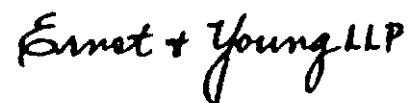
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

April 27, 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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CLINTON MEMORIAL HOSPITAL FOUNDATION, INC.

CLINTON COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: *Susan Babbitt*

Date: JULY 18, 2000